Solvency and Financial Condition Report Intreas N.V.

16 April 2018

CONTENTS

Introduction

The structure of the Solvency and Financial Condition Report (SFCR) has been prepared as described in the delegated acts. The subjects addressed are based on article 51 to 56 of the Solvency II directive and article 292 up to 298 of de Delegated Acts. Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates.

All amounts in this report are presented in millions of euros (EUR million), unless otherwise stated. The amounts in the QRTs which are included in the annex of this report are presented in thousands of euros.

Summary

A. Business and Performance

Intreas was incorporated on 28 May 2015 and is a fully owned subsidiary of Ageas Insurance International N.V., a holding company with its registered offices at Archimedeslaan 6, Utrecht, the Netherlands. Intreas is part of the Ageas Group.

Intreas received its license to operate as a non-life reinsurer from De Nederlandsche Bank in the second quarter of 2015 and assumed risk as of July 1, 2015.

The key business objectives for Intreas within the business context of Ageas group are:

- Optimize protection on the level of the group;
- Pricing optimization;
- Optimize the risk retention on the level of the group;
- Capital optimization;
- Center of competence;
- Manage the pricing cycle of the reinsurance market.

Intreas will build up its activities over time. Intreas has no intention to write third party business.

Business wise the following developments are observed:

- Significant and continued declines in reinsurance pricing;
- Decreasing (re)investment yields for insurers and reinsurers alike;
- (High) profitability by reinsurers partially only possible due to reserve releases; sustainability questionable

Intreas achieved an A-Rating from Standard and Poor's in 2016.

Intreas realised for 2017 an operating margin of EUR 9.1 million while the net result amounted to EUR 7.8 million.

B. System of Governance

In accordance with the regulations relating to the supervision of insurance companies in the Netherlands, Intreas makes a clear distinction in responsibility between two statutory governing bodies:

- the Supervisory Board, which is (i) responsible for defining the general strategy and risk management, as well as (ii) supervising the activities of the Management Board;
- the Management Board, which is responsible (i) for managing effectively the Company's activities, (ii) for implementing the general strategy and the risk management framework defined by the Board, and (iii) for setting-up an organizational and operational structure.

The majority of the Supervisory Board is composed of non-executive directors who are independent. The Board of Directors currently consists of five members.

The Management Board consists of the CEO, CRO and CFO.

The governance structure is completed by independent control functions regarding compliance, internal audit, risk management and Actuarial function.

C. Risk Profile

Intreas in the reporting period is only exposed to Non-Life Risks. Non-life risks include reserve risk, premium risk and catastrophe risks. Reserve risk is related to outstanding claims while premium risk is related to future claims from which catastrophe claims are excluded. Catastrophe risk is related to claims arising from catastrophic events: either natural disasters or man-made events.

Intreas manages insurance risks through a combination of Underwriting Policy, Reserving Policy and Reinsurance Policy.

D. Capital Management

The main goal of the capital management process within Intreas is to optimize the capital structure, composition and allocation of capital, fund profitable growth, protect the viability and profitability and fund dividends.

Intreas applies a capital management policy which sets rules and ensures discipline on:

- Capital Planning;
- Capital Allocation;
- Dividend policy.

Capital management policies and processes are included in the risk management system, ORSA process and internal control environment.

Intreas applies for the calculation of its SCR the Standard Formula. At year-end 2017, the Solvency ratio amounted to 229%.

A

BUSINESS AND PERFORMANCE

A.1 Business

A.1.1 General Information

Name and legal form:
Intreas N.V.

Adress:
Archimedeslaan 6, 3584 BA Utrecht, the Netherlands.

Supervisor:
De Nederlandsche bank N.V., Westeinde 1, 1017 ZN Amsterdam, the Netherlands.

External auditor:
KPMG Accountants N.V., Papendorpseweg 83, 3528 BJ Utrecht, the Netherlands.

Intreas was incorporated on 28 May 2015 and is a fully owned subsidiary of Ageas Insurance International N.V., a holding company with its registered offices at Archimedeslaan 6, Utrecht, the Netherlands. Intreas is part of the Ageas Group.

Intreas received its license to operate as a non-life reinsurer from De Nederlandsche Bank in the second quarter of 2015 and assumed risk as of July 1, 2015.

Intreas achieved an A-Rating from Standard and Poor's in 2016.

A.1.1.1 Business objectives of Intreas

The key business objectives for Intreas within the business context of Ageas group are:

- Optimize protection on the level of the group (e.g. align CAT protection to the Group 1/200 year event).
- Pricing optimization: achieve better prices and conditions compared to local placements due to buying power and through bundling of risks offering larger, better diversified risk portfolios to the reinsurance market.
- Optimize the risk retention on the level of the group: retain value within the group through utilizing its capital to increase retentions on reinsurance buying, acting as a risk taker for group internal business.
- Capital optimization: be instrumental for Ageas to more actively manage capital across entities through increasing fungibility of capital in a Solvency II world.
- Center of competence: act as a centre of competence on group level for risk and capital management through reinsurance and support operating companies for reinsurance matters.
- Manage the cycle: adjust the amount of risk retained within the group according to pricing cycles of the reinsurance market (cede more in soft markets, less in hard markets).

Ageas subsidiaries decide for themselves which reinsurance program they want to put in place. They will agree with external reinsurers on the features and the pricing of this program. The OPCOs provide the information on the program to Intreas and Intreas, as preferred supplier, will make its own underwriting decisions as to the business and shares it accepts.

Intreas will build up its activities over time. Intreas has no intention to write third party business.

A.1.2 Business environment

Reinsurance markets are cyclical. Although the reinsurance premiums modestly increased in 2018, the current pricing remains low taking into account a risk adjusted basis. The consolidated views of the major rating agencies underline this:

- S&P notes that following the high level of catastrophe losses in 2017, reinsurance pricing increased, on average, in line with its expectations of 0% to 5%, with the highest rate increases occurring in loss-affected lines. However, the ratings agency warns that traditional capital remains stable and alternative capital remains in place, which, combined with an expectation of large cedents continuing to centralise their reinsurance purchases and consolidate their reinsurance panels, could hold back further rate increases during the next 12 months.
- Moody's moved from a negative outlook on the reinsurance sector to a more positive view. The profitability of the reinsurance sector is expected to rise in 2018 driven by price increases, lower capital levels and higher interest rates.
- Fitch moved to a negative outlook on the reinsurance sector in January 2014 and remains negative, citing soft market conditions, subdued reinsurance demand, and fierce competition from alternative capital. Fitch believes that M&A activity is likely to increase in the near term.
- AM Best remains its negative outlook on the reinsurance market. Despite the impacts of third-quarter 2017 catastrophe events are expected to improve reinsurance market conditions, uncertainty surrounding the level of price increases and how sustainable any market improvement might be, has led A.M. Best to maintain its negative outlook for the sector for 2018

Those views converge with the observations made by the Intreas Management Board, highlighting:

- Modest premium increases in 2018, but in general low reinsurance pricing, driven by excess capacity of traditional reinsurers, additional capacity of capital market players, new capacity from regional (primary) insurance groups seeking to diversify upon arrival of Risk Based Capital regimes in their home markets and finally new "following" capacity of European based insurers that aim at diversifying with regards to regions and lines of business as an unintended side-effect of the implementation of Solvency II
- Low (re)investment yields for insurers and reinsurers alike, increasing the pressure for improved pricing discipline at the one hand but also additional inflow of yield-seeking investors to the reinsurance space on the other
- (High) profitability by reinsurers partially only possible due to reserve releases; sustainability questionable.

A.2
Developments and results

A.2.1 Underwriting performance

Information on premiums, claims and expenses by line of business and per country can be found in QRTs S.05.01.02 in annex 2 and S.05.02.01 in annex 3 respectively. The table below shows an overview of the (by IFRS line of business) performance for 2017.

	Non proportional Accident & Health	Non proportional Motor	Non proportional Fire	Proportional Fire	Total
Gross premiums	155 813	10 527 726	35 733 229	5 560 358	51 977 126
Change in unearned premiums					0
Gross earned premiums	155 813	10 527 726	35 733 229	5 560 358	51 977 126
Paid claims	0	0	(17 517 342)	(2 969 405)	(20 486 747)
Change in provisions	(21 288)	(4 195 140)	14 034 406	0	9 817 978
Gross underwriting margin	134 525	6 332 585	32 250 293	2 590 953	41 308 357
Outward reinsurance premium	0	(1 850 603)	(24 208 570)	0	(26 059 174)
Payments reinsurer	0	0	15 383 951	0	15 383 951
Reinsurance share in change in provision	0	422 690	(18 326 064)	0	(17 903 374)
Reinsurance commission	0	117 579	1 832 159	0	1 949 738
Outward reinsurance results	0	-1 310 334	-25 318 524	0	-26 628 858
Net underwriting margin	134 525	5 022 251	6 931 769	2 590 953	14 679 498
Commissions paid	(450)	(396 510)	(3 093 467)	(2 121 715)	(5 612 143)
General expenses	-8 330	-573 315	-1 862 369	-306 090	-2 750 104
Management expenses	-8 780	-969 825	-4 955 836	-2 427 806	-8 362 246
Operating margin	125 746	4 052 426	1 975 933	163 147	6 317 252
Non-allocated investment result					1 483 052
Net result					7 800 304

A.2.2 Investment performance

The investments of Intreas at 31 December 2017 consist mainly of corporate bonds and cash. The interest income on the bond portfolio amounted to EUR 1.4 million while the realised capital gains on the bond portfolio amounted to EUR 11,666. At year-end 2017, the unrealised gains on the bond portfolio as included in shareholders' equity amounted to EUR 3.8 million. In 2017, there was a currency loss related to GBP currency of EUR 23,410.

A.2.3 Any other information

No other information.

B

SYSTEM OF GOVERNANCE

B.1
General information on the system of governance

B.1.1 System of governance

In accordance with the regulations relating to the supervision of insurance companies in the Netherlands, Intreas makes a clear distinction in responsibility between two statutory governing bodies:

- the Supervisory Board, which is (i) responsible for defining the general strategy and risk management, as well as (ii) supervising the activities of the Management Board;
- the Management Board, which is responsible (i) for managing effectively the Company's activities, (ii) for implementing the general strategy and the risk management framework defined by the Board, and (iii) for setting-up an organizational and operational structure.

B.1.1.1 Supervisory Board

B.1.1.1.1 Role of the Supervisory Board

The Supervisory Board operates within the framework defined by the legislation of the Netherlands, normal governance practice in the Netherlands and the Articles of Association.

The Board assesses whether the strategy determined by the Management Board complies with diligent risk management and with Intreas' risk appetite and approves the strategy, before it can be implemented by the Management Board.

The Board pays, on top of its normal supervisory work, special attention to Intreas's risk management and supervises the risk policy pursued by the Management Board. Every discussion on risk management is prepared by the members of the Board who are specialized in risk management. Intreas's policy as to risk appetite is at least annually subject to the Board's approval.

The Board assists the Management Board by giving advice. The Board proposes new Supervisory Board Directors and Management Board Directors to the shareholders' meeting for validation. The Board can propose to the shareholders to suspend Management Board members.

In the exercise of their duties, the Supervisory Directors must be guided by the interests of the Company.

B.1.1.1.2 Responsibilities of the Supervisory Board

The Board meets every quarter and deals with the following matters, among others:

- preparations for the General Meetings of Shareholders;
- the strategy pursued by Intreas;
- ongoing development of the business;
- quarterly financial statements;
- the annual budget;
- the solvency of the company, including the approval of new Solvency II policies;
- the asset management, the investment policy and the investment mandate of the Intreas;
- Intreas' risk policy framework, including the Risk Appetite framework;
- reports of Board Committees following each of their meetings;
- implementation of the policies by Intreas in general and by the Board Committees in particular;
- governance and performance of the Management Board;
- Remuneration Policy in general and the remuneration of the Management Board members in particular.

The members of the Management Board report on the progress of the results and the general performance of the business at the Board meetings.

B.1.1.1.3 Authority of the Supervisory Board

The Board has the authority and the duty to use adequate, necessary and proportional means in order to fulfil its responsibilities. The Board as a whole is collectively accountable to the Company for adequately exercising its authority, powers and duties. Individual Board Members have access to independent professional advice at the Company's expense where they deem it necessary to discharge their responsibilities as Board Members, after consultation with the Chairman.

B.1.1.1.4 Advisory Committees of the Supervisory Board

Currently, two board committees have been set up: the Remuneration Committee and the Audit and Risk Committee.

As a general principle the Board Advisory Committees have an advisory role towards the Board. They assist the Board in specific areas, which they cover in appropriate detail and on which they make recommendations to the Board. Only the Board, however, has the power to take decisions.

The role and responsibilities of each Board Committee are determined by the Board and laid down in the relevant Committee's internal regulations. The internal regulations are reviewed each year by the Committees themselves or at the initiative of the Board and changes are recommended to the Board as required.

Each Committee has the authority and the duty to use adequate, necessary and proportionate means (including the authority to select, retain and terminate the mandate of any outside adviser) in order to fulfil its duties, and is accountable to the Board for the proper exercise of these powers and duties. After each meeting, the Committees report to the Board on their activities, conclusions and recommendations.

B.1.1.2 Management Board

B.1.1.2.1 Responsibilities and powers of the Management Board

Intreas' Management Board is composed of the Chief Executive Officer (CEO), Chief Risk Officer (CRO) and Chief Financial Officer (CFO). The role of the Management Board is to manage Intreas.

The Management Board is responsible for the determination and the execution of the strategy and for the daily management of Intreas. Taking into account the Risk Appetite approved by the Supervisory Board, the Management Board ensures a balanced assessment between Intreas' commercial interests and the risks Intreas would take.

More specifically, the Management Board is mandated by the Board with the following responsibilities:

- Establishing and achieving Intreas' objectives.
- Formulating and implementing Intreas' strategy and policies to ensure optimal results.
- Ensuring the integrity of the financial information that is reported.
- Assessing of and managing the risks connected to business activities.
- Ensuring the implementation and operation of adequate and appropriate internal risk-management and control systems.
- Establishing and maintaining internal controls over financial reporting.
- Making certain that financial disclosures are made in a complete, accurate, reliable, correct and timely manner in accordance with applicable rules and that financial reports are filed or submitted to regulatory authorities within the required time periods.
- Implementing recommendations made by the external auditor.
- Complying with all legislation and regulations applicable to Intreas.

The Management Board meets in principal on a weekly base or ad hoc in case of urgencies. The Management Board has established a "Business Risk Committee" (BRC) to ensure clarity and effectiveness of the Risk Management decision making.

The BRC fulfils a strategic role with respect to all risk matters by monitoring the overall Risk Management profile of Intreas. It ensures that the Risk Management is suitable, effective and proportionate to the risks Intreas is taking. It further ensures the coherence between the various aspects related to all the risks Intreas is exposed to and ensures that all risks are discussed in a multidisciplinary way.

The members of BRC are the CEO, the CRO (Chairman) and CFO. The Actuarial Function and the Internal Audit function have a standing invitation.

B.1.1.2.2 Authority of the Management Board

The Management Board is entrusted with the management of Intreas. In the exercise of their duties, the Managing Directors must be guided by the interests of Intreas and the business connected with it. The Management Board performs its activities under the supervision of the Supervisory Board.

B.1.2.2.3 Composition, Structure and Organisation of the Management Board

The Management Board is chaired by the Chief Executive Officer (the CEO). Apart from the CEO, the Management Board members are the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO).

B.1.2.2.4 Key (CONTROL) functions within intreas

The main roles and responsibilities of the four independent control functions, i.e. the Risk Function, the Actuarial Function, the Compliance Function and the Internal Audit Function are described below.

B.1.1.3 Material changes in our system of governance during the reporting period

There have been no material changes in our system of governance during the reporting period.

B.1.1.4 Remuneration policy and practices

The standards and guidelines for remuneration are based on and aligned with the regulatory framework as defined in the Financial Supervision Act (FSA) and the Dutch Act on the Remuneration Policy of Financial Undertakings which has taken effect as of January 1st 2015. Those standards are applied to Intreas as a whole but more specifically for management and control functions.

The objectives of the remuneration guidelines are:

- To reward competitively to be able to attract, motivate and retain key talent and highly talented staff, in all positions throughout the company.
- To observe sound principles of corporate governance and responsible business conduct and comply with all legal requirements.
- To differentiate reward by performance and recognize sustained (over) achievement of performance against pre-agreed, objective goals at company and individual level.

The positioning of the reward level is compared to the local market (2nd up to 3rd quartile) and Collective Labour agreements if in force are respected. A yearly performance appraisal gives direction to the merit increase.

B.1.1.4.1 Supervisory Board members

The remuneration of the Supervisory Board members is determined by the Shareholders of Intreas. Detailed proposals for remuneration of Supervisory Board members are formulated based upon advice from the Remuneration Committee.

For the Supervisory Board members, the levels and structure of remuneration are determined in view of their general and specific responsibilities and general market practice.

The remuneration of Supervisory Board members includes:

- A fixed fee for Board membership
- An attendance fee for Board and Board Committee meetings.

The Supervisory Board members do not receive annual incentive awards or stock options and are not entitled to pension rights. Supervisory Board members are not entitled to any termination indemnity.

B.1.1.4.2 Management Board members

The structure of the remuneration of the Management Board members is based on a competitive framework of reference which is yearly updated.

The pay levels are determined per executive position, on the basis of the role and responsibilities of the position and the experience and performance of the position-holder; taking into account the targeted competitive positioning. The base pay is reviewed on a yearly basis. In addition to the base pay, the employee receives a fixed functional allowance. This allowance is permanent, i.e. maintained over a period tied to the specific role and organizational responsibilities for which they are granted.

Employees of Intreas are not entitled to any short or long term incentive or to variable payments. Employees are also not entitled to discretionary pensions.

The severance pay for Management Board members is limited to a maximum of 100% of their fixed annual salary. No retention or other bonuses will be paid.

No severance payments will be made in case: (i) this does not reflect performance over time or rewards for failure or misconduct; or (ii) the employment agreement is terminated at the initiative of the staff member, unless this is the consequence of serious imputable acts or omissions of the employer; or (iii) serious imputable acts or omissions of the staff member in fulfilling his duties; or (iv) failure by the relevant enterprise if the staff member is a day-to-day policy-maker of the relevant enterprise.

Increase of the fixed salary (merit) is connected to appraisal.

B.1.1.4.3 Identified staff and others

Identified staff and others are only entitled to fixed salary and not entitled to STI and LTI.

B.1.1.5 Material transactions with shareholders and persons having a significant influence

No material transactions during the reporting period have taken place with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory board.

B.2 Fit and proper requirements

Intreas is aware of its responsibility to appoint only trustworthy persons to integrity sensitive positions. We acknowledge that the consequences of failure by such persons to meet standards of integrity can cause not only reputational damage, but also financial loss. Moreover, Intreas is aware of the importance of assessing the trustworthiness of its Staff in general and particularly of its Staff performing integrity sensitive functions, in view of sound and controlled business operations and promoting the integrity of the financial sector. Intreas ensures that all board members and key function holders meet the 'fit and proper' criteria.

B.2.1 Identification of integrity sensitive functions

Intreas takes the following factors into consideration in view of identifying Integrity Sensitive Functions:

- whether the function implies the right to administer and dispose of (components of) assets;
- whether the function implies the representation of Intreas, including in view of substantial (legal) obligations,
- whether the function implies substantial access to confidential information regarding reinsured parties or the Intreas' business,
- whether the function implies controlling, supervisory or compliance activities.

Intreas considers the following functions/officers to qualify as Integrity Sensitive Functions:

- the Compliance Officer,
- the Internal Auditor,
- the HR Officer,
- the Actuarial Function,
- the head of claims management,
- the head of underwriting,
- the legal counsel,
- the company secretary and
- the head of risk management.

The management of Intreas and the Solvency II key functions are 'fit' and 'proper'. They have a profound knowledge of:

- the reinsurance market;
- finance and actuarial science;
- regulatory requirements and system of governance.

B.3
Risk management system including the own risk and solvency assesment

Intreas provides Non-life reinsurance and as such faces a number of risks that, whether internal or external, may affect its operations, its earnings, its valuation, the value of its investments.

This chapter presents how Intreas manages its risks. First Intreas' Risk Management Framework is explained through its Risk taxonomy and through an explanation of Intreas' Risk Appetite Framework. Intreas' Risk Management organisation and governance will then be detailed. Finally, Intreas' main risk exposures and the specific risk management frameworks applicable to them will be presented for financial risks, insurance liabilities risks, operational risks and other risks.

The embedding of the Risk Strategy takes place in the Performance Management cycle, articulated around the annual Strategic Planning and ORSA (Own Risk and Solvency Assessment) process, supported by relevant modelling approaches.

B.3.1 Risk Management Framework

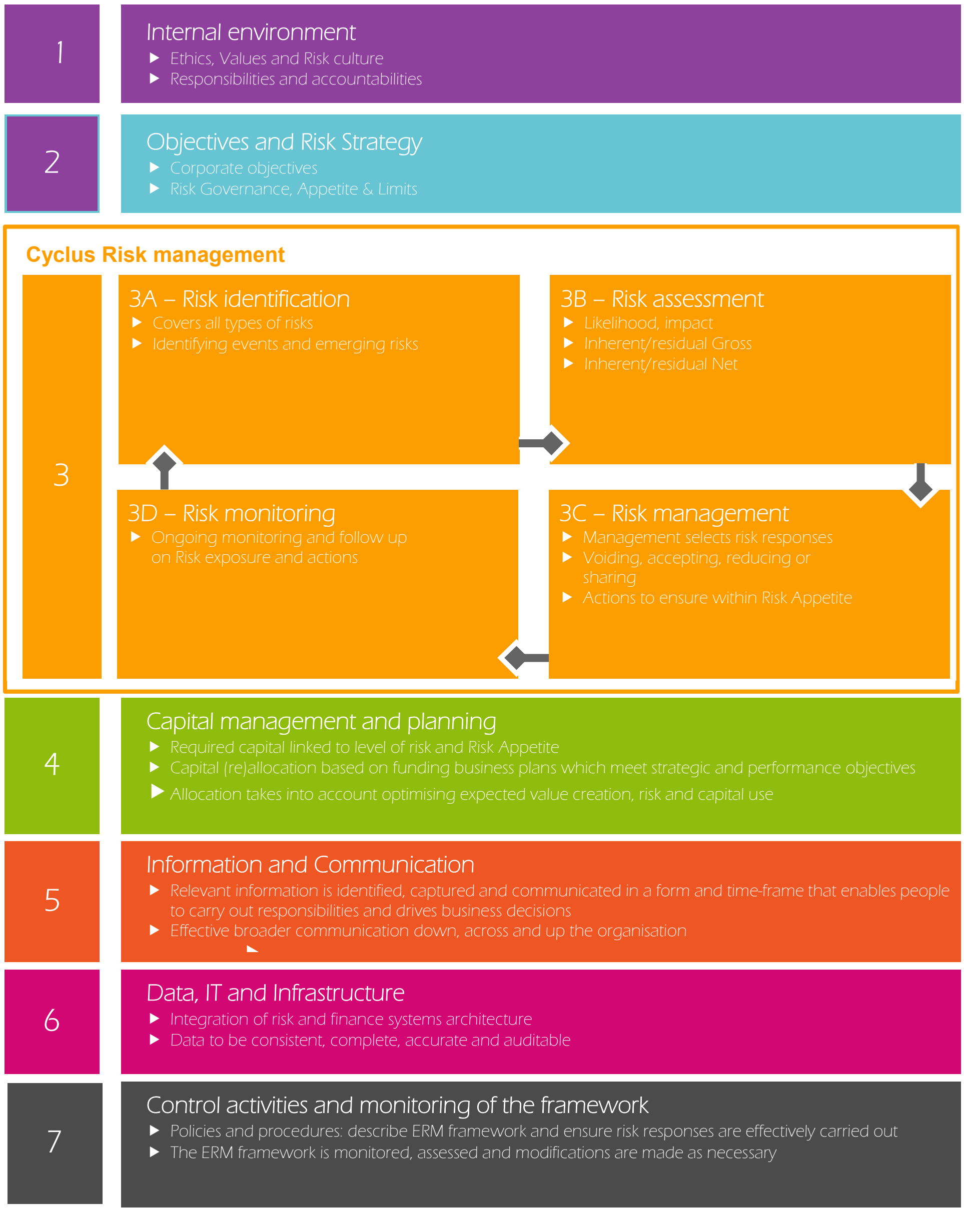
Intreas defines risk as the deviation from anticipated outcomes that may have an impact on the solvency, earnings or liquidity of Intreas, its business objectives or future opportunities. Intreas' risks stem from its exposure to Schematically the ERM-framework can be described as per below:

external or internal risk factors in conducting its business activities. Intreas seeks to only take on risks that:

- it understands well;
- can be adequately managed either at the individual or at the overall portfolio level;
- it can afford (i.e. within the Risk Appetite);
- present an acceptable risk/reward trade-off.

To ensure that all material risks are understood and effectively managed, Intreas has put in place an Enterprise Risk Management framework that:

- ensures that risks which affect the achievement of strategic objectives are identified, assessed, monitored and managed;
- defines a risk appetite to ensure that the risk of insolvency is kept at all times at acceptable levels and then ensuring that the risk profile is kept within the risk appetite;
- supports the decision making process by ensuring that consistent, reliable and timely risk information is available to the decision makers;
- creates a culture of risk awareness in which each manager carries out his duty to be aware of the risks of his business, to manage them adequately and report them transparently.


1
Internal environment
Ethics, Values and Risk culture
Responsibilities and accountabilities
2
Objectives and Risk Strategy
Corporate objectives
Risk Governance, Appetite & Limits
Cyclus Risk management
3
3A – Risk identification
Covers all types of risks
Identifying events and emerging risks
3B – Risk assessment
Likelihood, impact
Inherent/residual Gross
Inherent/residual Net
3D – Risk monitoring
Ongoing monitoring and follow up on Risk exposure and actions
3C – Risk management
Management selects risk responses
Voiding, accepting, reducing or sharing
Actions to ensure within Risk Appetite
4
Capital management and planning
Required capital linked to level of risk and Risk Appetite
Capital (re)allocation based on funding business plans which meet strategic and performance objectives
Allocation takes into account optimising expected value creation, risk and capital use
5
Information and Communication
Relevant information is identified, captured and communicated in a form and time-frame that enables people to carry out responsibilities and drives business decisions
Effective broader communication down, across and up the organisation
6
Data, IT and Infrastructure
Integration of risk and finance systems architecture
Data to be consistent, complete, accurate and auditable
7
Control activities and monitoring of the framework
Policies and procedures: describe ERM framework and ensure risk responses are effectively carried out
The ERM framework is monitored, assessed and modifications are made as necessary

B.3.1.1 Risk taxonomy

Intreas' Risk taxonomy has been developed to ensure a consistent and comprehensive approach to risk identification, assessment, monitoring and response by highlighting and defining all identified risks. It serves as the basis for all risk management efforts. It is divided into four broad categories: Financial Risk, Insurance Liability Risk, Operational Risk and Other Risks. It is aligned with Solvency II risk categories.

The taxonomy cannot be considered as exhaustive, and it is the responsibility of business management and risk management to ensure that all risks are identified. While the aim is to keep a high degree of stability and consistency over time in this taxonomy, it will be reviewed on at least an annual basis and adjusted if appropriate.

Intreas has in place a Key Risk Report process to identify key risks that could impact the realisation of its objectives. Intreas Management Board follows up on key risks at least on a quarterly basis. A wide range of internal and external sources are used in the identification of the key risks. Also the control framework in place is assessed to ensure that these risks are managed on an on-going basis.

Identified risks, categorised in accordance with the Intreas Risk Taxonomy are assessed and reported to the Business Risk Committee, the Management Board, the Supervisory Board (through its' Audit and Risk Committee) and to Ageas Group using a standard likelihood and impact grid which provides an overview on the overall level of concern that they represent (i.e. their materiality). The risks are qualitatively described and explained in relation to the objectives that they are associated with.

B.3.1.2 Risk Appetite

The Risk Appetite Framework of Intreas - approved by its Management Board and Supervisory Board - provides the formal boundaries for risk taking. The purposes of the Risk Appetite are to ensure that:

- Risk limits are linked to the actual risk taking capacity of Intreas in a transparent and straightforward way
- Risk Appetite Criteria are clearly defined so that actual exposures can be compared to the criteria agreed at Board level, allowing monitoring and confirmation that risks are controlled and that the Board is able and willing to accept these exposures;

Intreas is required to formulate a Risk Appetite Statement, which contains:

- the criteria which define its Risk Appetite;
- the measures to be employed for each criterion;
- the quantitative or qualitative limits that are to be adhered to for each criterion.

At Intreas, the following criteria are subject to limits:

- Solvency;
- Earnings;
- Liquidity;
- Maximum exposure per insurance "event".

Risk Appetite Statement concerning Solvency:

Intreas' risk exposures must be limited in order to ensure that at all times its:

- Own Funds remain higher than its Minimum Acceptable Capital (MAC).
    - MAC is the level of capital under which Intreas is considered to be in financial distress. It is defined as 100% of SCRAgeas under Solvency II.
    - The SCRAgeas is a one-year Value at Risk (VaR) measure for the Solvency II Own Funds. The VaR corresponds to a 99.5% probability of solvency over one year (the "1 in 200").

- Capital Consumption (CC) remains below Target Capital (TC);
    - CC is the total level of economic capital being consumed by Intreas based on its current risk profile, defined as the sum of the Minimum Available Capital plus the Risk Consumption (see below).
    - TC is the total level of capital being made available to Intreas for risk taking purposes. It is defined as sum of the Minimum Acceptable Capital plus the Risk Appetite budget.

- Risk Consumption (RC) remains below Intreas's Risk Appetite (RA) budget, set at 30% of Own Funds;
    - RC is the level of economic capital required by Intreas' current risk profile, consistent with a 1 in 30 year loss.
    - RA is the level of capital in excess of the Minimum Acceptable Capital which is made available to Intreas in order to take risks.

- The maximum exposure to any single, first insurance event (catastrophe of single risk) is limited to 30% of its own funds, net of premiums and reinstatements.

When Risk Appetite criteria are breached or risk to be breached it is the responsibility of the management to propose adequate remediation actions to the Supervisory Board.

Risk Appetite Statement concerning Earnings:

Risk exposures must be limited in order to ensure that at all times the deviation from year-end budgeted IFRS earnings due to a combined 1/10 financial loss event is limited to 100% of year-end budgeted IFRS earnings.

Risk Appetite Statement concerning Liquidity:

Risk exposures must be limited in order to ensure that the liquidity ratio (defined as the available liquidity / the largest single risk exposure) is at least 100%.

For the specific case of liquidity, Intreas either holds a portion of its equity in the size of its largest single exposure in cash and cash equivalents or – should this equity portion be invested – ensures a corresponding contingent liquidity facility is effective with Ageas group.

B.3.2 Risk management organisation and governance

To monitor the design of the overall risk and control framework, detect deficiencies and optimise its risk management framework, Intreas has adopted the 'three lines of defence' approach: Intreas' Risk Management activities are organized within a "three lines of defense" mode of operation, meant to embed risk management and risk awareness in the organization, and to highlight that there are different levels of control and means for escalation.

- 1st Line of defense: the Business: The first placed to ensure that Intreas does not suffer from unexpected events. The business is responsible for managing the full taxonomy of risks falling into its area. The business needs to have in place a robust risk culture and risk awareness and is responsible for ensuring that appropriate processes and controls are in place and duly implemented.
- 2nd Line of defense – Risk and other Assurance functions: The Risk Management Function ensures high standards of Risk Management throughout the organization through the development of the Risk Framework and risk-type specific guidelines and policies. The risk management function coordinates the implementation of risk initiatives and raises management's awareness of risk and economic performance and support them to optimize risk appetite, risk limits, risk/return profile and utilization of risk bearing capacity. Moreover, the risk management function is responsible to communicate and embed risk strategy, risk awareness and risk management, ensure that the processes and controls are aligned to the risk-related requirements, and provide opinions on design and set-up thereof, identifying any weaknesses or problems.
- The Compliance Function has an overall assurance role that the company and its employees comply with the laws, regulations, internal rules and ethical standards and checks therefore if policies (both risk- and compliance- related) are in place and that they abide to internal and external rules and requirements.
- 3rd Line of defense – Internal Audit: Internal Audit provides assurance on the proper design and implementation of the risk governance framework and observance of guidelines, policies and processes.

B.4 Own Risk and Solvency Assessment (ORSA)

B.4.1 Integration of our structure and decision making process

Intreas ORSA covers all risks described in Intreas Risk Taxonomy, both the quantifiable and the non-quantifiable risks.

The ORSA is directly embedded into the strategy and multi-year budgeting process. It is also embedded into the governance and decision making processes, as witnessed by the roles and responsibilities of the Supervisory Board (as described in section B1.1.1) and of the Management Board (as described in section B1.1.2).

The information contained in ORSA reports is consistent with the information found in other reports provided to the Supervisory Board, Audit and Risk Committee and Management Board as well as to DNB. The Solvency II ORSA monitoring of compliance with regulatory capital requirements (SCR, MCR) and Risk Appetite and Capital Management Frameworks are performed on a quarterly basis through the Risk Reporting.

Intreas performs an annual ORSA linking it to its strategic MYB exercise. This frequency takes into account Intreas risk profile and the volatility of its overall solvency needs relative to its capital position. Ad-hoc ORSAs (outside of MYB exercises) are triggered by internal or external conditions.

B.4.2 Measuring capital adequacy in our risk management system

Under Solvency II, Intreas is using the Standard Formula to measure its Solvency Capital Requirement under pillar 1. Intreas follows the EIOPA rules to present its SCR using this calculation method, however, a Pillar 2 Capital Add-On will be applied in cases where the SCR CAT resulting from this calculation method is lower than the SCR CAT determined following the regulatory approved internal model for non-life in use at Ageas group.

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The reconciliation of the IFRS Shareholders' capital to the Own Funds under Solvency II and the resulting solvency ratio under the Standard Formula approach is as follows (amounts in thousands of euros)

	31 December 2017	31 December 2016
IFRS Equity	112.531	104.192
Shareholders' equity	112.531	104.192
Scope changes Solvency II	-7.800	
Inclusion of expected dividend	-7.800	
Valuation differences	11.833	2.226
Revaluation of Insurance related balance sheet items	11.833	2.226
Tax impact on valuation differences	0	0
Total Solvency II Own Funds	116.564	106.418
Non Transferable Own Funds	n/a	n/a
Total Eligible Solvency II Own Funds	116.564	106.418
Required Capital under Standard Formula (SCR)	50.865	41.509
Capital Ratio	229,2%	256,4%

All Solvency Capital is Tier-1 Capital.

The composition of the capital solvency requirements can be summarised as follows (amounts in thousands of euros):

	31 December 2017	31 December 2016
Market Risk	12.431	11.733
Counterparty Default Risk	3.493	3.739
Health Underwriting Risk	5.748	783
Non-Life Underwriting Risk	41.832	32.301
Diversification between above mentioned risks	-14.276	-9.391
Non-diversifiable risks	1.637	2.344
Loss-Absorption through Deferred Taxes		
Required Capital under Standard Formula (SCR)	50.865	41.509

Overall capital adequacy is verified quarterly and annually:

- Through a quarterly Risk report, Intreas Supervisory Board ensures that capital adequacy continues to be met on a current basis;
- The Supervisory Board proactively assesses and steers the company's capital adequacy on a multi-year basis, taking into account strategy and forecasted business and risk assumptions. This is done through a process called Own Risk & Solvency Assessment, which is embedded into the multi-year budgeting and planning processes.

The main risks that are measured for capital requirements under Solvency II are:

- financial risks
- insurance liability risks
- operational risks
- other risks

These risks are further detailed in section C Risk Profile.

B.5
Internal control system

The Compliance function at Intreas is governed by a charter that defines the role, mission, positioning, deliverables, duties and operational structure. The Compliance function within Intreas aims at making sure that at any time and place, Intreas conducts business in such a way that if and when questioned somewhere in the future about our business practice, we can stand up and say that, if we were to start over, we would do it in the same way taking into account the then prevalent situation.

The Compliance function stimulates, monitors and controls the observation of laws, regulations, internal rules and policies and ethical standards that are relevant to the integrity and, hence, to the reputation of Intreas. The Compliance function helps the Management Board to demonstrate visible and active commitment to the implementation of the compliance awareness.

Intreas considers Compliance to be a key function, and consequently important and critical, and as such part of an effective internal control system within Intreas. The Compliance function has therefore a high level of formalization and of management involvement.

B.5.1 Compliance Mission

The Compliance function is a key player in the establishment of a compliance culture within Intreas.

The Compliance officer has the following areas of responsibility:

- Ensuring the implementation and execution of the compliance function within Intreas as defined by the regulatory authorities;
- Ensuring regular updating of legal and regulatory changes;
- Ensuring the translation of the regulatory framework and rules into specific policies and instructions;
- Ensuring monitoring of compliance with these policies and instructions, taking the necessary measures (training, information, sanctions) to reduce potential compliance risks;
- Ensuring adequate reporting both to internal and external stakeholders;
- Ensuring efficient functioning of the Compliance function throughout the Intreas organisation;
- Ensuring adequate internal fraud investigation according to set principles whenever required.

The basic role of Compliance is to persuade and exert influence by way of advice or recommendation. Issuance (proofreading, pre-validating, editing, etc.) and cascading of Group Policies and Codes of Conduct is an integral part of the exercise of the function.

B.5.2 Compliance Scope

The scope ("compliance universe") is a stable feature, depending largely on the nature and location of business activities. It includes:

- Prevention and detection of criminal activities (e.g. Money Laundering / Counter-Terrorism Financing);
- Corruption and Anti-Bribery;
- Customer identification, acceptance and follow-up ("Know Your Customer");
- Duty of care, product suitability and adequate information to customers, market practices and consumer protection ("Treating Customers Fairly");
- Third Party and Counterparty Risk, (Financial) Embargos;
- Corporate Governance, Fit & Proper rules, Remuneration Policy, Code of Ethics and Conflicts of Interest;
- Prevention of Insider Trading and Market Abuse;
- Fair competition;
- Privacy protection;
- Foreign laws that may impact on compliance domains (e.g. FATCA), as well as
- all topics required by local law or imposed by the local control authority.

B.5.3 Compliance organisation

Compliance is a permanent, independent second-level-of-defence control function.

The CFO of Intreas is responsible for the execution of the Compliance function within Intreas. The Compliance function is temporarily fulfilled (till mid 2016) by the Group Compliance department of Ageas. The Group Director Compliance was during this period acting as Compliance Officer for Intreas. The Compliance Officer reports to the CFO and delivers to the Management Board his formal reportings.

After mid-2016, the Compliance Officer function was outsourced to the Dutch Compliance Institute.

The Compliance Officer reports hierarchically to the CFO of Intreas (as mentioned above) and functionally to the Group Compliance Officer of Ageas.

The function of Compliance officer requires that the person who executes this function is honest, diligent and independent-minded. The function owner further needs to act ethically and with integrity. In addition, the function owner needs to have the proper knowledge and background to fulfil the function requirements. As the Compliance Function is considered a key function within Intreas, the function owner needs to meet all fit and proper requirements as defined by the Management Board and as approved by the Supervisory Board of Intreas.

The Compliance Officer can count on the active collaboration of the Legal function (regular input on evolving, new and foreseen laws and regulation), the Company Secretary (follow-up and review of policies), and of any other function deemed necessary to fulfil his mission. The Management Board of Intreas will inform the Compliance Officer of any change in Law, regulation or regulatory requirements that they are individually informed of.

B.6
Internal Audit Function

B.6.1 Description of how the internal audit function is implemented

The Internal Audit function at Intreas is governed by a charter that defines the role, mission, positioning, deliverables, duties and operational structure. This charter complies with the Dutch regulation on internal control and internal audit and with Solvency II regulation and is part of the Intreas governance.

The internal auditor performs its assignments and communicate its recommendations to the highest levels of the organisation, with complete independence. Therefore:

- the internal auditor has a clear hierarchical position in Intreas' structure and has direct reporting lines to Intreas' CEO and Intreas' Audit and Risk Committee (a subcommittee of Intreas' Supervisory Board);
- the appraisal of the internal auditor is the responsibility of Intreas' CEO and Intreas' audit and risk committee (a sub-committee of Intreas' Supervisory Board).

The internal auditor has a professional duty to preserve its objectivity and impartiality. Therefore, the internal auditor cannot be involved in operational activities or in implementing any organizational or internal control measures, which are the responsibility of Intreas' Management Board.

B.6.2 Independence and objectivity of internal audit function

The internal audit function provides professional and independent assurance to support the achievement of Intreas' objectives. The internal audit function evaluates the effectiveness of governance, risk management and control processes. The internal audit function recommends solutions for optimizing them.

The internal audit function serve as "third line of defence" and evaluates the adequacy and effectiveness of the internal control system and other elements of the system of governance. The internal audit function is objective and independent from the operational functions.

Any findings and recommendations of the internal audit function are, at the discretion of the internal auditor, reported to the Management and/or Supervisory Board which determine what actions are to be taken with respect to each of the internal audit findings and recommendations and ensure that those actions are carried out.

The Intreas Board guarantees Internal Audit a status that preserves its autonomy, and functional independence, objectivity and authority necessary to fulfil its role and mission. Internal Audit documents its priorities in a formal yearly audit plan that is submitted to the Intreas Audit and Risk Committee for the final and formal endorsement after approval by the Intreas CEO.

The Audit function also has a professional duty to preserve its objectivity and impartiality. Therefore, Audit staff cannot be involved in operational activities or in implementing any organisational or internal control measure, including executing control monitoring.

Internal Audit operates within the International Professional Practices Framework established by the Institute of Internal Auditors (IIA) and within the basic guidelines set by (inter)national regulatory authorities. Intreas has outsourced the Internal Audit function to Ageas Group Internal Audit under the responsibility of Intreas' CEO.

B.7 Actuarial Function

B.7.1 Scope and Mission

The role of the Actuarial Function is to provide reasonable assurance through independent opinions (hereafter the Opinions) on the below mentioned points:

- the adequacy of technical provisions in statutory and in IFRS accounts;
- the appropriateness of the underwriting practice of the company through assessment of profitability of the portfolio, product pricing (risk/return) and acceptation rules and benchmarking these to company targets;
- the appropriateness of the ALM and investment strategy and activity and their impact on the profitability or safety of the portfolio or products.
- the appropriateness of the reinsurance / retrocession program of the company;
- the appropriateness of the methodologies, the models and the assumptions used for technical provisions, best estimate (fair value) calculations, capital calculations, strategic or tactical asset studies and profit testing
- the sufficiency and quality of data used for these calculations.

According to the Solvency II Directive, the Actuarial Function needs to coordinate the calculation of technical provisions. Awaiting further specifications on and description of this required coordination; it will be assumed that together with the above assurance, it will suffice that the Actuarial Function must do so for statutory, IFRS and best estimate provisions.

B.7.2 Key Activities of the Actuarial Function

In order for the Actuarial Function to answer the above remits, following elements are the core processes leading to his opinion:

- ensure that methodologies and procedures for calculating technical provisions exist and are properly controlled and managed;
- apply methodologies and procedures to assess the sufficiency of technical provisions and ensure that their calculation is consistent with the underlying principles;
- compare technical provisions against previous values and use insights to further assess appropriateness about the calculations;
- ensure that problems related to model appropriateness, assumption setting and data quality are dealt with appropriately, subject to proportionality.

B.8 Outsourcing

The Management Board of Intreas, in agreement with the Supervisory Board, has established an Outsourcing Policy and a procedure ensuring the compliancy of the existing and future outsourcing contracts of Intreas with the requirements of the applicable outsourcing regulations.

It should be noted that outsourcing takes place based on service level agreements that include clear and strict mandates for the outsourced activities. Outsourcing takes always under the responsibility of at least one of the Management Board members and based on approval by the Supervisory Board.

The table below gives an overview of the critical or major operational activities, functions or tasks that are outsourced.

ACTIVITY
Internal Audit: The Internal Audit Function is under the responsibility of Intreas' CEO outsourced to group Internal Audit of Ageas.
Compliance Officer: the function of Compliance Officer is under the responsibility of the CFO outsourced to 'Nederlands Compliance Instituut".
Asset Management: the daily managements of Intreas investments is under the responsibility of the CFO outsourced to AG Asset Management (a subsidiary of Ageas).
Actuarial Function: The Actuarial Function Holder is Kim Everaert

B.9
Any other information

As described in the chapters above Intreas reassesses whether its System of Governance is still adequate on a yearly basis. This is done at several levels, amongst others:

- The Supervisory Board does a yearly assessment of its performance and its committees;
- Internal audit produces reports on the audits performed according to the yearly audit plans and issues management letters to the Audit and Risk Committee and the CEO;
- Compliance reports issued by the Compliance Officer to the Chief Financial Officer and Management Board.

B.10
Any other information

B.9.1 Consistent implementation of risk management system, internal control systems and reporting procedures

All policies are to be reviewed by their respective owners as to provide necessary assurance to the Supervisory Board that the policies are continuously in line with applicable requirements (internal and external) and that those policies are properly implemented (i.e. the resulting controls are in place) and embedded across Intreas.

ERM Policy Review process applies to all Intreas ERM policies. Assessments are performed consistently across Intreas by using a standardized reporting checklist which concentrates on identifying whether policies are suited to attain their objectives, whether they are adequately implemented and whether relevant actions plans are in place should it not be the case.

ERM Policy Reviews are done once per year. Their main results and findings are integrated in the broader Internal Control Adequacy Assessment (with a scope wider than the ERM policies) as well as in the Key Risk Report as well as in the ORSA report.

C

RISK PROFILE

C.1 Risk categories

C.1.1 Insurance Liability risk

Insurance risks refer to all insurance underwriting risks due to deviations in claims arising from uncertainty and timing of the claims as well as deviations in expenses and lapses, compared to underlying assumptions made at the start of the policy.

Intreas in the reporting period is only exposed to Non-Life Risks. Non-life risks include reserve risk, premium risk and catastrophe risks. Reserve risk is related to outstanding claims while premium risk is related to future claims from which catastrophe claims are excluded. Catastrophe risk is related to claims arising from catastrophic events: either natural disasters or man-made events.

Intreas manages insurance risks through a combination of Underwriting Policy, Reserving Policy and Reinsurance Policy.

Underwriting policies are part of the overall management of insurance risk and are revised by actuarial staff, who examine the actual loss experience. A range of indicators and statistical analysis tools are employed to refine underwriting standards in order to control loss experience. Further, all accepted incoming business is based on market rates, meaning that the capacity was bought and accepted at this price by a wide range of reinsurers. However, Intreas performs its own pricing evaluation and – should it deem the risk/reward not sufficient or does not meet the risk appetite of Intreas – will decline certain businesses.

The factors taken into consideration for pricing include:

- expected claims by Operating Companies and related expected pay-outs and their timing;
- the level and nature of variability associated with the expected benefits. This includes analysis of claims statistics as well as consideration of the evolution of jurisprudence, the economic climate and demographic trends;
- financial conditions, reflecting the time value of money;
- solvency capital requirements;
- target levels of profitability;
- reinsurance market conditions, notably competitor pricing of similar products.

In its exposures to the above-mentioned risks, Intreas benefits from diversification across geographical regions, product lines and even across the different insurance risk factors so that Intreas limits its exposure to significant concentrations of insurance risks.

Intreas Reserving Policy must ensure that provisions are adequate at any time to meet incurred liabilities from claims including not yet reported or not enough reported claims (IBN(E)R).

Different methods are used:

- Pricing Loss Ratio Method: IBNR reserves are set up to the level of the nominal pricing loss ratio.
- Fund Method: for programs showing long development time for claims (>10y), combined with high volatility, Intreas deems statistical methods for Best Estimate calculation as insufficient, as the current portfolio is too small. Provisions are set up-up to the level of earned premiums and only as soon as portfolio-based Best Estimate computations are deemed possible first IBNR reserves can be released.
- Market Loss Method: this method is used for catastrophic events occurring at the end of the reporting period. Here, the ceding company is not in possession of a stable loss estimate, as claims declarations are coming in after book closing. For events in this class, Intreas uses market loss estimates issued by risk modelling and actuarial consulting firms and then applies the market share of the ceding company to this market loss to obtain an estimate of the resulting reinsurance loss.

Entering into outward (ceded) reinsurance contracts limits Intreas exposure to underwriting losses. Reinsurance companies are selected taking into account pricing and counterparty default risk considerations. The management of counterparty default risk is integrated into the overall management of credit risk.

The major uses of ceded reinsurance include the mitigation of the impact of natural disasters (e.g. windstorms, earthquakes and floods), large single claims from policies with high limits and multiple claims triggered by a single man-made event.

Intreas has significant contingent exposure to reinsurers, especially in the reinsurance cover for natural perils. It therefore monitors the evolvement of credit quality of both the sector and single names constantly. Further, in the Default Risk Policy, Intreas specified mitigating and risk limiting actions, such as maximum shares for reinsurers and the stringent application of special termination or downgrading clauses in the case of deterioration of credit quality of the counterparty.

C.1.2 Financial Risk

Financial risk encompasses all risks relating to the value and performance of assets and liabilities that may affect Value, Earnings and Solvency due to changes in financial circumstances.

These include:

- Market risks including interest rate risk, equity risk, spread risk, currency risk, property risk and market risk concentration.
- Default risks including counterparty default risks and investment default risks.

The risk framework in place combines investment policies, limits, stress tests and regular monitoring in order to control the nature and level of financial risks and to ensure that risks being taken are appropriate.

The overall asset mix is determined based on asset mix studies to identify the appropriate assets, their adequacy from an ALM perspective and on regular monitoring of the market situation and prospects to decide on the tactical allocation. The decision process needs to balance risk appetite, capital requirements, long-term risks and return, and tax and liquidity issues to arrive at an appropriate target mix.

Currency risk arises from the sensitivity of assets and liabilities and financial instruments to changes in the level of relevant currency exchange rates when there is a mismatch between the relevant currency of the assets and liabilities. For Intreas, this risk also includes the relative movement of granted cover in local currencies and acquired protection in Euro. Intreas monitors this risk and has limits in place that trigger the purchase of additional reinsurance cover.

Intreas' investment policy limits this risk by requiring the currency mismatch between assets and liabilities to be minimised.

The table below provides information on the credit quality of corporate bonds (amounts in thousands of euros).

	31 December 2017	Percentage	31 December 2016	Percentage
By rating				
AA		0%	1.542	2%
AA-	3.087	3%	5.312	5%
A+	2.637	2%	2.833	3%
A	9.399	9%	8.092	8%
A-	12.121	11%	8.302	8%
BBB+	29.463	28%	27.203	27%
BBB	39.828	37%	35.466	36%
BBB-	9.244	9%	10.433	11%
BB+	821	1%		
Total investment grade	106.600	100%	99.183	100%
Unrated				
Total corporate bonds	106 600	100%	99 183	100%

C.1.3 Operational risks

Intreas like any other financial institution is subject to operational risk, understood as the risks of losses arising from inadequate or failed internal processes, personnel or systems, or from external events.

Intreas has in place processes to manage operational risks. These processes are an integral part of the risk management framework. The operational risk management framework consists of policies and processes, which collectively aims at identifying, assessing, managing, monitoring and reporting on operational risks. These processes include:

- loss data collection;
- internal control adequacy assessment;
- key risk identification and assessment process.

Through its Risk Taxonomy, Intreas has classified its potential sources of operational risks:

Clients, products and business practices.

Unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) and corporate stakeholders e.g. regulators, or from the nature or design of products:

Execution, Delivery & Process Management

Unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) and corporate stakeholders e.g. regulators, or from the nature or design of a product.

Business disruption and system failures

Risk associated with the interruption of business activity due to internal or external system and/or communication system failures, the inaccessibility of information and/or the unavailability of utilities and other externally driven business disruptions which may harm also personnel.

Employee Practices and Workplace Safety

Risk arising from acts/omissions, intentional or unintentional, inconsistent with applicable laws on employment relation, health, safety and diversity/discrimination acts the Company is responsible for.

Internal Fraud Risk

Internal fraud risk is the risk due to deliberate abuse of procedures, systems, assets, products and/or services of a company involving at least one internal staff member (i.e. on payroll of the company) who intend to deceitfully or unlawfully benefit themselves or others.

External Fraud Risk

Events arising from acts of fraud and thefts, or intentional circumvention of the law, actuated by third parties, including customers, vendors and outsource companies (including sub-vendors and sub-contractors), with the goal of obtaining a personal benefit, damaging the Company or its counterparties (for which the Company pay), or damage Company's assets. Includes all forms of cyber risk, and frauds by clients and external parties (i.e. parties which do not collaborate usually with the Company and have no access to the Company's systems, such as non-mechanized brokers).

Damage to physical assets

Losses arising from loss or damage to physical assets from natural disasters or other events

Intreas aims to keep the above operational risks at appropriate levels by maintaining sound and well-controlled environments in light of the characteristics of its business, the markets and the regulatory environments in which it operates. While these control measures mitigate operational risks they can never completely eliminate them.

An Internal Control Assessment (INCA) process is performed each year and results in the annual management Control Statement issued by the Management Board expressing their confidence in the control frameworks.

C.1.4 Other risks

Other risks cover all the other external and internal factors that can impact Intreas' ability to meet its current business plan and objectives. Intreas quarterly (re)assesses the potential impact of these risks as part of its key risk assessment process.

Potential sources of other risks are:

Regulatory change Risk

Regulations with regard to allowable product features, conduct of business, underwriting practices, personnel rules, reserving, solvency which may affect the volume or quality of new business or the profitability of in force business.

Competitor Risk

Competitor risks due to changes in competitor landscape or market position.

Reputation risk

This is the risk of loss arising from the adverse perception of the image of Intreas on the part of customers, counterparties, shareholders, investors or regulators.

Country Risk

Country risk refers to the risk of investing in a country, dependent on changes in the business environment that may adversely affect operating profits or the value of assets in a specific country. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events contribute to companies' strategic risks (e.g. Euro break-up).

Economic Environment Risk

General economic environment risk is the risk that the economic environment encounters changes and the impact this can have on general business environment, customer behaviour, etc. Within it, Inflation risk represents the sensitivity of the value of assets and liabilities due to changes in inflation expectations.

Other Environment Risks

Environmental risk covers a range of changes to the external environment not already covered by the categories above:

- Geopolitical environment which can impact Intreas' ability to develop business in the different countries where the Group operates
- Technology shifts such as autonomous driving and the resulting shifts in insurance demand and hence consequently shifts in reinsurance demand
- Other emerging risks are those major scale events or circumstances beyond one's direct capacity to control, that impact in ways difficult to imagine today such as potential claims from nano-technology
- Climate change risks, potentially leading to an increased frequency of winter storms, storm surge, affecting coastal areas as a consequence of melting ice caps etc.
- Contagion risks – an extreme form of concentration risk which arises when usually unrelated risk factors can affect each other and become highly correlated - linked to the greater levels of connectivity across the world and therefore our markets and risk types.

Concentration Risk

Concentration risk further refers to all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of Intreas.

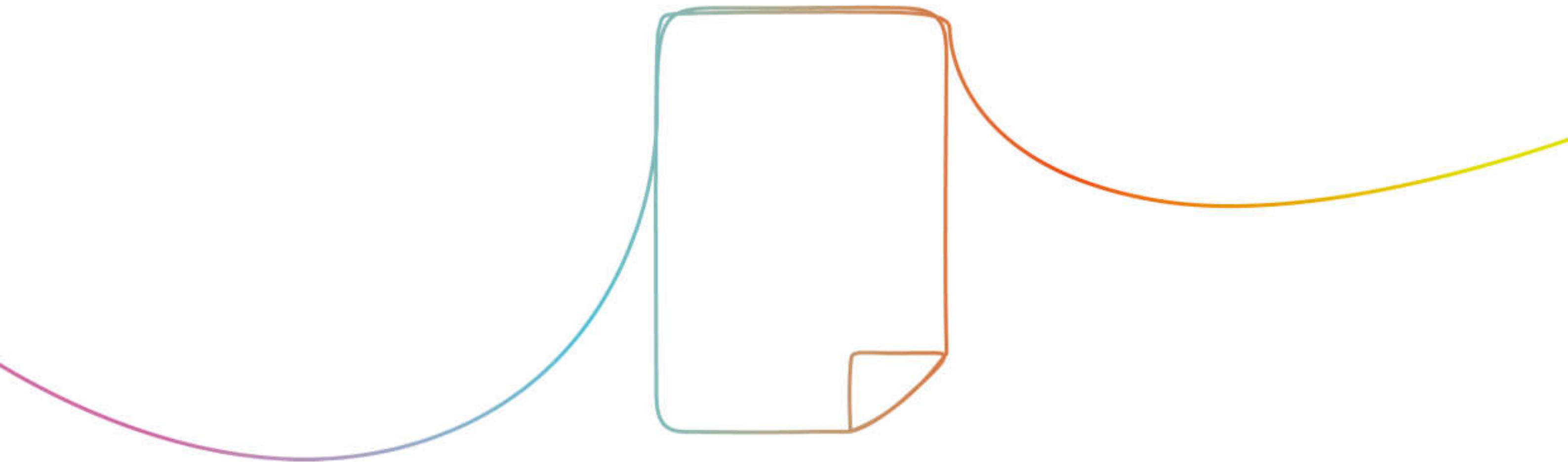
Strategic Risk

Strategic risk is defined as the risk of the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. Strategic risk is a function of the compatibility of an undertaking's strategic goals, the business strategy developed to achieve those goals, the resources deployed against these goals, and the quality of implementation.

In summary, strategic risk is a risk that is "home grown": losses are incurred as a result of actions or decision taken by management.

C.1.5 Risk sensitivity

Intreas performs stress and scenario testing on a quarterly basis as part of the risk appetite monitoring. Stress/scenario testing is also integral part of ORSA (including reverse stress testing) and might be performed on an ad hoc basis as part as requests from DNB and EIOPA as well.



D

VALUATION FOR SOLVENCY PURPOSES

This chapter should be read in conjunction with the market consistent balance sheet (MCBS) of Solvency II as reported in the Quantitative Reporting Template S. 02.01.

D.1 Introduction

In this chapter we disclose the valuation principles applied under Solvency II compared to IFRS.

In the table below we disclose the reclassification and valuation differences between the IFRS balance sheet and the Solvency II Market Consistent Balance Sheet (MCBS). The first column in the IFRS balance sheet is the result of the IFRS balance sheet as reported in the financial statement re-mapped to the line items in the Solvency II MCBS.

D.2 Assets

D.2.1 Basis, methods and main assumptions used for Solvency II

Fair value is the amount for which an asset could be exchanged, a liability settled or a granted equity instrument exchanged between knowledgeable, willing parties in an arm's length transaction.

Intreas applies the methodology and valuation hierarchy of International Accounting Standards in Solvency II in the order listed:

- Level 1: the default method is using quoted prices in active markets for the same assets or liabilities.
- Level 2: when active markets for the same assets or liabilities are not available, quoted market prices in active markets for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in non-active markets are applied with adjustments to reflect differences. Level 2 is also used to determine valuation based on observable inputs other than quoted prices market observable input. For example observable interest rates and yield curves used in valuation models.
- Level 3: alternative valuation methods are applied using unobservable input that is significant to the entire fair value measurement (including counterparty quotes). Maximal use of relevant market inputs is used for assumptions.

Cost value or nominal value for short duration assets or liabilities or when a fair value cannot be determined reliably. A cost approach is also used to reflect the amount to replace the service capacity of an asset in the market.

The table below summarises per material class of asset the basis, methods and main assumptions used for the Solvency II valuation of assets. For the data, we refer to the Quantitative Reporting Template (S.02.01.02) in Annex 1.

Asset class	Level of valuation	Basis, methods and main assumptions used for Solvency II
Deferred tax assets	NA	The valuation under MCBS is based on the difference between the value of the underlying assets and liabilities in the MCBS and the tax base balance sheet. The measurement principles of IAS 12 apply in valuing deferred tax assets. The specific tax position and tax regulations per fiscal jurisdiction/country and interpretation of complex tax regulations are considered in the calculation of the net deferred tax position. A net deferred tax asset is only recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised and tax authorities permit this under local reporting. Therefore, when an entity has a history of recent losses, it is only able to recognise a deferred tax asset arising from unused tax losses or tax credits to the extent that the entity has sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity.
Equities – listed	Level 1	Fair value Mark to market based on quoted prices in active markets that are sourced independently.
Equities – unlisted	Level 2	Fair value Mark to model where there is no market price available and observable data in active markets (level 2) or unobservable market data (level 3) are used. The fair value is determined using discounted cash flow models. Discount factors are based on a swap curve plus a spread reflecting the risk characteristics of the instrument. Level 3 valuations for private equities and venture capital use fair values disclosed in the audited financial statements of the relevant participations. Level 3 valuations for equities and asset-backed securities use a discounted cash flow methodology. Expected cash flows take into account original underwriting criteria, borrower attributes (such as age and credit scores), loan-to-value ratios, expected house price movements and expected prepayment rates etc. Expected cash flows are discounted at risk-adjusted rates. Market participants often use such discounted cash flow techniques to price private equities and venture capital. We rely also on these quotes to a certain extent when valuing these instruments. These techniques are subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results. Private equity and non-quoted participations investments are in general based on European Venture Capital Association's valuation guidelines, using enterprise value EBITDA, price/cash flow and price/earnings, etc. Non-quoted preference shares that are characterised as debt instruments are valued applying a discounted cash flow model.
Government Bonds Corporate Bonds Structured notes Collateralised securities Other investments	Level 1, 2 and 3	Fair value Mark to market based on quoted prices in active markets that are sourced independently or mark to model where there is no market price available and observable data in active markets (level 2) or unobservable market data (level 3) is used. The fair value is determined using discounted cash flow models. Discount factors are based on a swap curve plus a spread reflecting the risk characteristics of the instrument. Level 3 valuations for asset-backed securities use a discounted cash flow methodology. Expected cash flows take into account original underwriting criteria, borrower attributes (such as age and credit scores), loan-to-value ratios, expected house price movements and expected prepayment rates etc. Expected cash flows are discounted at risk-adjusted rates. These techniques are subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results. Depending on the significance of the unobserved data used in these calculations, the valuation is classified as level 2 or 3.

Asset class	Level of valuation	Basis, methods and main assumptions used for Solvency II
Deposits other than cash equivalents	Level 2 or redemption value	Fair value Deposits are valued using discounted cash flow methodology; discounting yield curve is the swap curve plus spread (assets) or the swap curve minus spread (liabilities); spread is based on (amongst others) credit standing and can be derived from the commercial margin computed based on the average of new production during last 3 months. Deposits with a remaining maturity shorter than one year are valued at redemption value ot the nominal value.
Deposits to cedants Insurance & intermediaries receivables Reinsurance receivables Receivables (trade, not insurance) Cash and cash equivalents Any other assets, not elsewhere shown	Cost	Fair value Amortised cost (IFRS valuation) because of immaterial differences between amortised cost and fair value due to the short term of the receivables. Cash and cash equivalents have a term of less than three months. Any other assets include amongst others current tax receivables and prepayments.

D.2.2 Material differences between Solvency II and IFRS

The table below summarises per material class of asset the material differences between the valuation for Solvency II purposes and the IFRS valuation.

Asset class	Different basis, methods and main assumptions used for financial reporting
Deposits other than cash equivalents	Under IFRS these deposits are measured at amortised cost while under SII these are fair valued. In case of long term deposits there is a timing difference.
Deferred tax	Adjustments between IFRS and Solvency II lead to a change in the deferred tax assets or liabilities in Solvency II.

D.3
Technical provisions

D.3.1 Introduction

The value of technical provisions under Solvency II is equal to the sum of the best estimate of the liabilities and the risk margin. The calculation of the Best Estimate Liabilities is based on the best estimate assumptions setting (economic and non-economic assumptions) Non-Life liabilities. For the data, we refer to the Quantitative Reporting Template (S.02.01.02) in Annex 1.

The methodology for the calculation of the risk margin is based on a proportional projected approach whereby the Basic SCR, Operational SCR and adjustment of loss absorption of technical provisions at time step zero is run off following the selected risk drivers at Solvency II lines of Business level. Risk drivers are the benefit payments or exposure (claims and premium reserve) to which there is an obligation from the insurer. If more granularity is allowed, the risk drivers are then determined at that lower level. A cost of capital rate of 6% as defined by EIOPA will then be applied on the Net present value of the future Non-hedgeable SCR.

The calculation is done fully bottom up at model point level where the aggregation towards Solvency II Lines of Business is reported.

The time horizon used in the calculation of the best estimate is the full lifetime of the existing (re)insurance liabilities on the date of valuation. The determination of the lifetime of the (re)insurance portfolio is based on contract boundaries and realistic assumptions about when the existing liabilities will be discharged, cancelled or expired. The boundary of the contract is defined following the EIOPA's technical specifications as:

(a) Where the insurance or reinsurance undertaking has a unilateral right to terminate the contract, a unilateral right to reject the premiums payable under the contract or an unlimited ability to amend the premiums or the benefits payable under the contract at some point in the future, any obligations which relate to insurance or reinsurance cover which would have been provided by the insurance or reinsurance undertaking after that date do not belong to the existing contract;
(b) Where the undertaking's unilateral right to terminate the contract or to unilaterally reject the premiums or its unlimited ability to amend the premiums or the benefits relates only to a part of the contract, the same principle as defined above is applicable to this part;
(c) All other obligations relating to the terms and conditions of the contract belong to the contract

Discounting cash-flows is performed for all relevant cash–in and cash–out flows, e.g. premiums, claims payments. As a simplification, cash-flows are expected to emerge at mid-year. Discounting is performed quarterly on annualised data. Discounting is performed based on the prescribed EIOPA interest curves and volatility adjustment.

All expenses to be incurred in servicing reinsurance obligations are taken into account. Expenses associated with reinsurance contracts and special purpose vehicles are included in the gross calculation of the best estimate.
The allowance for inflation is consistent with the economic assumptions made. This implies that the inflation rate is term dependent and set relative to inflation instruments and for claims inflation appropriate allowance is made. Inflation rates are justifiable relative to external sources of information such as Consumer or Producer Price Indices.

D.3.3 Non-life

Non-life provisions consist of:

- Claims provisions: cash flow projections relate to claim events having occurred before or at the valuation date – whether the claims arising from these events have been reported or not (i.e. all incurred but not settled claims);
- Premium provisions: the cash flows relate to claims and expenses occurring in the future related to policies in force according to contract boundaries defined below.

D.3.3.1 Granularity

The best estimate of the claims provision and premium provision are calculated separately. The minimum level of segmentation is at homogeneous risk group level with a minimum level being the Solvency II LOBs.

D.3.3.2 Cash flow projection for claims provisions

The Claims provision includes:

Inward cash-flows

- Recoverables from reinsurance contracts.

Outward cash-flows

- Claims payments payable to beneficiaries;
- Expenses incurred in servicing reinsurance obligations;
- Reinstatement premiums.

The Premium provision includes:

Inward cash-flows

- Premiums to be written until the term of the contract (future premiums);
- Recoverables from reinsurance contracts.

Outward cash-flows

- Claims payments payable to beneficiaries from claims occurred since the valuation date until the term of the contract
- Commissions to be paid since the valuation date until the term of the contract;
- Reinsurance premium or reinstatement premiums;
- Expenses incurred in servicing (re)insurance obligations;
- Expenses necessary to handle claims until settlement;
- Expenses necessary to administer contracts during the valuation period;
- Acquisition expenses (other than commissions);
- Investment expenses necessary to administer the assets representing the liabilities related to contracts during the valuation period.

D.3.3.3 Claims payments

Claims are split into four categories: attritional claims (claims with a cost under a predefined threshold), large claims (claims with a cost above a predefined threshold excluding catastrophe claims), claims arising from natural catastrophe events and claims arising from binary events (restricted to events with very low frequency-high severity (which could be one large claim or an accumulation of attritional claims)).

The main reason for isolating Large and Catastrophe claims from others is that, in many cases, large claims require a dedicated valuation technique. The main reason for this is that non-proportional reinsurance applies only to those claims and uncertainty is more important. As a consequence, isolating large and catastrophe losses from other losses warrants an appropriate calculation of best estimate values and of the uncertainty around it, both on a gross and net basis

Methods to valuate attritional claims are aggregate methods where claims are grouped per accident or reporting year and where payments are grouped by accounting year to form a claims triangle. For large losses various methods are available including the specific individual large loss method. Intreas has developed a tool whereby the individual large loss reserving methodology is implemented. The model provides a distribution of the large loss reserves gross and net of reinsurance and allows the application of the reinsurance treaties in order to compute the reinsurance recoveries on a claim by claim basis.

Tail Factor

In many loss reserve analyses, especially those involving long-tail branches (losses that do not proceed to final settlement until several years beyond the policy year), the observed historical loss development information may end before all the claims are expected to be settled and before the final costs are known. Assessments, based on the available triangle data, may lead to consider a *tail factor* that estimates the development beyond the last stage of known historical developments.

D.3.3.4 Reinsurance recoveries

Recoverables from reinsurance contracts are recognised and valued according to the valuation principles for non-life premium and claims provisions and are shown separately on the asset side of the balance sheet (as "recoverables from reinsurance contracts"). The time value of money is taken into account in the calculation of reinsurance recoveries.

Expenses related to the internal processes for reinsurance (such as administration or management) are allowed for in the expenses forming part of the gross best estimate.

D.3.3.5 Expenses

Expenses assumptions are based on experience over the last year or some other recent period. Any trends observed or unusual events such as catastrophes are analysed on their propensity to be included in future projection valuations. In this respect the past one-off expenses may be more or less adjusted. Expenses are calculated on a going concern basis.

D.3.3.5.1 Commissions

Future commission assumptions are only considered for the part of the premium provisions related to premiums not already written. These commission assumptions are generally expressed as a percentage of written premiums.

D.3.3.5.2 Acquisition Expenses

Future acquisition costs are valued in the context of cash-flows related to premium provisions and are considered differently depending on whether the premium has already been written or not. For the part of provision constituted by premium already written, no acquisition cost is projected since all expenses are considered as having been paid at the drawing up of the contract.

For renewals, acquisition costs are reduced with the part of the cost related to the drawing up of the contract.

D.3.3.5.3 Administration and Operating costs

Expenses connected with ongoing administration of in-force policies and operational businesses (including reinsurance costs) are first allocated to premium provisions.

D.3.3.5.4 Claims Expenses

Claim management expenses which are related to claims that have occurred before the valuation date are considered for the cash-flows related to claims provisions.

Expenses related to claims that will occur in the period covered by the in-force premiums are considered in the context of cash-flows related to premium provisions.

D.3.3.6 Binary events – Natural Catastrophe events

The definition of "Cat or binary events" is restricted to those events with very low frequency-high severity (which could be one large claim or an accumulation of attritional claims) and will not otherwise be considered in the best estimate as absent from historical observation or considered as outlier in the valuation methods applicable to attritional or large claims. Intreas makes a distinction between the claims arising from natural catastrophe events classified as Natural Catastrophe claims and others, called Binary events.

Typical Cat Natural events are Earthquakes, Floods, Windstorms, Tsunamis, etc. Typical binary events are latent claims e.g. asbestos; legislative changes e.g. Ogden table changes, etc.

Binary events must be explicitly considered in premium provisions and claims provisions, in a consistent way. Natural catastrophe events must be explicitly considered in premium provisions.

Not all lines of business will be affected to the same extent by binary events and natural catastrophe events. Longer tailed classes of business are more affected by binary events.

The approach and methods used to calculate the allowance for catastrophe and binary events are simplified methods using benchmarking and expert judgment.

D.3.3.7 Inflation

Inflation is considered when projecting future cash-flows: the cash-flows that are potentially impacted by inflation are:

- Claims costs;
- Premiums when the premium is dependent on mass salaries or when they are indexed according to pre-defined indices;
- Expenses: the biggest part of expenses are salaries that will evolve over time;
- Inflation that applies to claims, called "claims inflation".

The assumptions used for valuation are consistent with other uses of Claim inflation.

D.3.3.8 Contract boundaries

In addition to the generic definition the premium provision is affected by the issues arising with respect to the contract boundary.

This document defines "unincepted business" as those contracts where a legal obligation exists but the coverage period did not started yet and multi-year contracts

D.3.3.9 Options and guarantees/Policyholder behaviour

Intreas does not include options and/or guarantees in its non-life book of business.

D.3.3.10 Management action

Intreas does not currently have to consider any management action as policies currently written by Intreas non-life reinsurance products do not include any (discretionary) participating features.

D.3.3.11 Expert Judgment

Typical areas in non-life where expert judgment is applied are:

- Tail factor
- Because the tail factor linearly affects the whole claims portfolio contained in a triangle, it is usually a highly material item;
- Loss ratios
- Loss ratios affect single years, where the most uncertain parameters for the most recent years typically have the biggest impact. The loss ratio of the current year essentially determines the premium provision and is thus highly material';
- Impact of legislative changes.

D.3.4 The level of uncertainty in the amount of technical provisions

Due to the uncertainty of future events, any modelling of future cash flows (implicitly or explicitly contained in the valuation methodology) will necessarily be imperfect, leading to a certain degree of inaccuracy and imprecision in the measurement (or model error). A yearly model assessment is performed in order to review any potential modelling feature that is missing in the model and that might be significant to the determination of the Best Estimate.

Such an assessment of the model error may be carried out by expert judgement or by more sophisticated approaches, for example:

- Sensitivity analysis in the framework of the applied model: this means varying the parameters and/or the data thereby observing the range where a best estimate might be located;
- Comparison with the results of other methods: applying different methods gives insights into potential model errors. These methods would not necessarily need to be more complex;
- Descriptive statistics: in some cases the applied model allows the derivation of descriptive statistics on the estimation error contained in the estimation. Such information may assist in quantitatively describing the sources of uncertainty;
- Back-testing: comparing the results of the estimation against experience may help to identify systemic deviations which are due to deficiencies in the modelling;
- Quantitative assessment scenario as benchmark.

D.3.5 Material changes in the relevant assumptions

There are no material changes in the assumptions made compared to the previous reporting period.

D.3.6 Material differences between Solvency II and IFRS

A difference in methodology exists between SII reserving and IFRS reserving. The technical reserves mentioned in Solvency II MCBS are subject to the valuation requirements in delegated acts, implementing technical standards and guidelines as issued by EIOPA. These valuation principles are not the same as those required by Dutch accounting regulations that are still applicable to technical provisions as defined under International Financial Reporting Standards (IFRS 4).

For the data we also refer to the Quantitative Reporting Template (S.02.01.02) in Annex 1.

D.4
Other liabilities

D.4.1 Bases, methods and main assumptions used for Solvency II

The table below summarises per material class of other liabilities the basis, methods and main assumptions used for the valuation of other liabilities. For the data, we refer to the Quantitative Reporting Template (S.02.01.02) in Annex 1.

Other liability class	Level of valuation	Basis, methods and main assumptions used for Solvency II
Provisions other than technical provisions	NA	Fair value Value based on a best estimate basis as currently performed under IAS 37, based on management judgement and in most cases the opinion of legal and tax advisors.
Deposits from reinsurers Debts owed to credit institutions	Level 2 and amortised cost	Fair value Amortised cost (IFRS valuation) because of immaterial differences between amortised cost and fair value due to the short term of the payables. Long term deposits and debts are fair valued applying a discounted cash flow methodology. Changes in Intreas' own credit standing are excluded in the valuation.
Deferred tax liabilities	NA	Nominal value The valuation under MCBS is based on the difference between the underlying assets and liabilities of the MCBS and the tax base balance sheet. The measurement principles of IAS 12 are applied in valuing deferred tax liabilities. The specific tax position and tax regulations per fiscal jurisdiction/country and interpretation of complex tax regulations are considered in the calculation of the net deferred tax position.
Financial liabilities other than debts owed to credit institutions Insurance & intermediaries payables Reinsurance payables Payables (trade, not insurance)	Cost	Fair value Amortised cost (IFRS valuation) because of immaterial differences between amortised cost and fair value because short term of the payables.
Any other liabilities, not elsewhere shown		Any other liabilities include amongst other current tax payables and cost accruals.

Deferred tax liabilities

Timing of deferred tax liabilities is consistent with the reversal of valuation differences and realisation of taxable results of items on the balance sheet.

D.5
Any other information

Nothing to report.

E

CAPITAL MANAGEMENT

E.1 Own funds

E.1.1 Objectives, policies and processes, business planning and any material changes

The main goal of the capital management process within Intreas is to optimize the capital structure, composition and allocation of capital, fund profitable growth, protect the viability and profitability and fund dividends.

Intreas applies a capital management policy which sets rules and ensures discipline on:

- Capital Planning: the capital level Intreas wants to hold, which is a function of:
  - Legal requirements, and anticipated changes
  - Growth ambitions, and future capital commitments
  - Security buffers to ensure we meet obligations according to our Risk Appetite Policy.
- Capital Allocation: capital use that Intreas foresees, which is a function of:
  - Optimisation of risk reward
  - Performance measured
- Dividend policy (and future capital raising)

Capital management policies and processes are included in the risk management system, ORSA process and internal control environment as disclosed in section B Governance chapter 3 and 4.

E.1.2 Structure, amount and quality of basic Own funds and ancillary Own funds

The composition of Own funds at 2017 year end is as follows:

	31 December 2017	31 December 2016
IFRS Equity	112,531	104,192
Shareholders' equity	112,531	104,192
Scope changes Solvency II	-7.800	
Inclusion of expected dividend	-7.800	
Valuation differences	11,833	2,226
Revaluation of Insurance related balance sheet items	11,833	2,226
Tax impact on valuation differences	0	0
Total Eligible Solvency II Own Funds	116,564	106,418

Own funds at year-end 2017 do not contain ancillary Own funds. Intreas own funds are all Tier 1 and can fully absorb losses. For the composition of the Intreas' Own funds, we refer to the Quantitative Reporting Template S.23.01.01.

E.1.3 Eligible amount of own funds to cover the Solvency Capital Requirement and the Minimal Capital Requirement classified by tiers

For the amounts of eligible amounts of own funds we refer to Quantitative Reporting Template S.23.01.01. Both SCR and MCR are fully covered by unrestricted Own Funds.

E.1.4 Material differences between Solvency II and IFRS

Differences between equity in the IFRS financial statements and the excess of assets over liabilities as calculated for Solvency II purposes (Own funds) mainly stem from the following sources:

- Valuation differences due to assets and liabilities not recorded at fair value under IFRS:
  - Liabilities arising from insurance contracts need to be recognised at market-consistent values. The value of technical provisions under Solvency II is equal to the sum of the best estimate of the liabilities and the risk margin. To calculate the best estimate of the liabilities, the probability-weighted average of the expected present value of future cash flows based on the risk-free yield curve is used whereas the risk margin represents the capital costs of the non-hedgeable risks included in the best estimate.
- Deduction of proposed or expected dividend.

The reconciliation from IFRS equity to Solvency II Own funds and the resulting Solvency II ratio is as follows:

	31 December 2017	31 December 2016
IFRS Equity	112,531	104,192
Shareholders' equity	112,531	104,192
Valuation differences	11,833	2,226
Revaluation of Insurance related balance sheet items	11,833	2,226
Tax impact on valuation differences	0	0
Total Solvency II Own Funds	124,364	106,418
Foreseeable dividends	7,800	n/a
Total Eligible Solvency II Own Funds	116,564	106,418
Required Capital under Standard Formula (SCR)	50,865	41,509
Capital Ratio	229,2%	256.4%

E.2
Solvency Capital Requirement and Minimal Capital Requirement

2.1 SCR split by risk modules where standard formula is used

For the breakdown of the base case SCR into different risk modules for SCR Standard Formula, we refer to the Quantitative Reporting Template S.25.01.

The composition of the capital solvency requirements can be summarised as follows:

	31 December 2017	31 December 2016
Market Risk	12,431	11,733
Counterparty Default Risk	3,493	3,739
Health Underwriting Risk	5,748	783
Non-Life Underwriting Risk	41,832	32,301
Diversification between above mentioned risks	-14,276	-9,391
Non-diversifiable risks	1,637	2,344
Loss-Absorption through Deferred Taxes	-	-
Required Capital under Standard Formula (SCR)	50,865	41,509

E.3
Non-compliance with the Minimal Capital Requirement and the Solvency Capital Requirement

Intreas has not faced any form of non-compliance with the minimum Solvency Capital Requirement or significant non-compliance with the Solvency Capital Requirement during the reporting period or at the reporting date.

E.4
Any other information

No other information.

Supervisory Board approval

The Supervisory Board of Directors has reviewed the Intreas Solvency and Financial Condition Report on 16 April 2018 and has authorised it for issuance.

Utrecht, 16 April 2018

Supervisory Board of Intreas

Chairman	Rob Burgerhout
Directors	Christophe Boizard
	Patrick Coene
	Christophe Dupont-Madinier
	Emmanuel Van Grimbergen

ANNEX

Annex 1:
QRT Balance Sheet (S.02.01.02)

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	107 720 528
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	107 720 528
Government Bonds	R0140	0
Corporate Bonds	R0150	107 720 528
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	0
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	5 994 524
Non-life and health similar to non-life	R0280	5 994 524
Non-life excluding health	R0290	5 898 720
Health similar to non-life	R0300	95 804
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	6 681 950
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	0
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	22 542 364
Any other assets, not elsewhere shown	R0420	2 106 056
Total assets	R0500	145 045 420

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	13 757 018
Technical provisions – non-life (excluding health)	R0520	13 659 818
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	9 610 318
Risk margin	R0550	4 049 500
Technical provisions - health (similar to non-life)	R0560	97 200
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	70 186
Risk margin	R0590	27 014
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	0
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	6 925 083
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	20 682 101
Excess of assets over liabilities	R1000	124 363 319

Annex 2:

QRT Premiums, claims and expenses by line of business (S.05.01.02)

		Proportional Fire	Non-Proportional Health	Non-Proportional Casualty	Non-Proportional Property	
		C0070	C0130	C0140	C0160	C0200
Premiums written						
Gross - Direct Business	R0110					0
Gross - Proportional reinsurance accepted	R0120	5 560 358				5 560 358
Gross - Non-proportional reinsurance accepted	R0130		155 813	10 527 726	35 733 229	46 416 768
Reinsurers' share	R0140	0	0	1 850 603	24 208 570	26 059 174
Net	R0200	5 560 358	155 813	8 677 122	11 524 659	25 917 952
Premiums earned						
Gross - Direct Business	R0210					0
Gross - Proportional reinsurance accepted	R0220	5 560 358				5 560 358
Gross - Non-proportional reinsurance accepted	R0230		155 813	10 527 726	35 733 229	46 416 768
Reinsurers' share	R0240	0	0	1 850 603	24 208 570	26 059 174
Net	R0300	5 560 358	155 813	8 677 122	11 524 659	25 917 952
Claims incurred						
Gross - Direct Business	R0310					0
Gross - Proportional reinsurance accepted	R0320	2 969 405				2 969 405
Gross - Non-proportional reinsurance accepted	R0330		21 288	4 195 140	18 866 887	23 083 315
Reinsurers' share	R0340	0	0	422 690	12 441 838	12 864 528
Net	R0400	2 969 405	21 288	3 772 450	6 425 049	13 188 192
Changes in other technical provisions						
Gross - Direct Business	R0410					0
Gross - Proportional reinsurance accepted	R0420					0
Gross - Non-proportional reinsurance accepted	R0430		0	0	0	0
Reinsurers' share	R0440		0	0	0	0
Net	R0500		0	0	0	0
Expenses incurred	R0550	2 427 806	8 780	852 246	3 123 677	6 412 508
Other expenses	R1200					0
Total expenses	R1300					6 412 508

Annex 3:
QRT Non-life technical provisions (S.17.01.02)

		Proportional Fire	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional property reinsurance	Total
		C0160	C0140	C0150	C0170	C0180
Technical provisions calculated as a whole	R0010	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060	-91 138	-392 405	-4 951 858	-2 265 311	-7 700 712
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	-526 462	1 827 948	1 301 486
Net Best Estimate of Premium Provisions	R0150	-91 138	-392 405	-4 425 396	-4 093 259	-9 002 198
Claims provisions						
Gross	R0160	26 857	462 591	7 599 987	9 291 782	17 381 216
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	95 804	1 862 091	2 735 143	4 693 038
Net Best Estimate of Claims Provisions	R0250	26 857	366 787	5 737 896	6 556 639	12 688 179
Total Best estimate - gross	R0260	-64 281	70 186	2 648 128	7 026 471	9 680 504
Total Best estimate - net	R0270	-64 281	-25 617	1 312 499	2 463 380	3 685 981
Risk margin	R0280	67 785	27 014	1 384 048	2 597 667	4 076 514
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0
Technical provisions - total						
Technical provisions - total	R0320	3 504	97 200	4 032 176	9 624 138	13 757 018
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	95 804	1 335 629	4 563 091	5 994 524
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	3 504	1 396	2 696 547	5 061 047	7 762 495

Annex 4:
QRT Own funds (S.23.01.01)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	50 000 000	50 000 000		0	
Share premium account related to ordinary share capital	R0030	50 000 000	50 000 000		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0			0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0				
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	16 561 860	16 561 860			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0		0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	0
Total basic own funds after deductions	R0290	116 561 860	116 561 860	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	116 561 860	116 561 860	0	0	0
Total available own funds to meet the MCR	R0510	116 561 860	116 561 860	0	0	
Total eligible own funds to meet the SCR	R0540	116 561 860	116 561 860	0	0	0
Total eligible own funds to meet the MCR	R0550	116 561 860	116 561 860	0	0	
SCR	R0580	50 865 407				
MCR	R0600	12 716 352				
Ratio of Eligible own funds to SCR	R0620	229%				
Ratio of Eligible own funds to MCR	R0640	917%				

Annex 5:
QRT Solvency Capital Requirement – Only SF (S.25.01.01)

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0
Operational risk	R0130	1 637 901
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	50 865 407
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	50 865 407
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	
Net future discretionary benefits	R0460	

Annex 6:
QRT Minimum Capital Requirement - Non-Composite (S.28.01.01)

	Value
	C0100
MCR	12 716 352
MCR Combined	12 716 352
MCR cap	22 889 433
MCR floor	12 716 352
MCR linear	4 356 198
non-life MCR linear	4 356 198
life MCR linear	0
AMCR	3 600 000

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